

The General Ledger and the Chart of Accounts

Each fund is a separate group of self-balancing accounts. For accounts to be self-balancing, the totals of the accounts having debit (Dr) balances must equal the totals of the accounts having credit (Cr) balances.

An *account* is the device that accumulates the net effect of all financial transactions on one item of assets, liabilities, fund balance, revenue, or expenditure. For example, the *cash account* in the General Fund will show all the transactions that affected cash in the General Fund for a given period of time. All the accounts within each fund will be classified as either an asset, a liability, a fund balance (or retained earnings), a revenue, or an expenditure (expense) account.

The revenue and expenditure accounts are referred to as “temporary,” or “nominal,” accounts because they are “closed out” at the end of the year and become part of the fund balance. These revenue and expenditure accounts are reopened at the beginning of each fiscal year.

The asset, liability, and fund balance accounts are “permanent,” or “real,” accounts that exist throughout the life of a fund. These accounts are not “closed” at the end of the year.

The General Ledger

The *General Ledger* is defined as the book, file, computer run, or other device which contains the accounts that are necessary to reflect in summary or in detail the financial operations and the financial condition of the local educational agency (LEA). The General Ledger for a fund will show the group of self-balancing accounts for that fund. A General Ledger will be maintained for each fund of an LEA. The sequence of accounts in the General Ledger will follow the order in which the accounts are presented in the financial statements—assets first and then liabilities, fund balance, revenues, and expenditures.

The Chart of Accounts

A list of all the accounts of an LEA and the numbers assigned to the accounts is called a *Chart of Accounts*. The identification of the specific accounts to be used by an LEA should be one of the first steps in setting up the accounting system. New accounts may be added, or unnecessary ones may be deleted once the system is in use.

LEAs that have converted to the standardized account code structure (SACS) are to use the Chart of Accounts in Part II of this manual. These accounts may also apply to other funds maintained by the LEA.

Chart of Accounts

Normal balance

Assets

9110	Cash in County Treasury	Dr
9111	Fair Value Adjustment to Cash in County Treasury.....	Dr, Cr
9120	Cash in Bank(s) (<i>Education Code</i> sections 35314, 38093, and 52704).....	Dr
9130	Revolving Cash Account (<i>Education Code</i> sections 42800–42806, 42810, 42820, and 42821)	Dr
9135	Cash with a Fiscal Agent/Trustee.....	Dr
9140	Cash Collections Awaiting Deposit (<i>Education Code</i> Section 41001).....	Dr
9150	Investments (<i>Education Code</i> Section 41015)	Dr
9160	Accounts Receivable	Dr
9170	Due from Other Funds.....	Dr
9210	Stores.....	Dr
9220	Prepaid Expenditures (Expenses).....	Dr
9300	Other Current Assets	Dr
9410	Land	Dr
9420	Improvement of Sites	Dr
9425	Accumulated Depreciation—Improvement of Sites	Cr
9430	Buildings.....	Dr
9435	Accumulated Depreciation—Buildings	Cr
9440	Equipment	Dr
9445	Accumulated Depreciation—Equipment	Cr
9450	Work in Progress.....	Dr

Liabilities

9510	Accounts Payable (Current Liabilities).....	Cr
9520	Due to Other Funds.....	Cr
9530	Current Loans	Cr
9540	Deferred Revenue.....	Cr
9570	Other Current Liabilities	Cr
9575	Due to Other Agencies	Cr
9581	General Obligation Bonds Payable	Cr
9582	State School Building Loans Payable.....	Cr
9584	Other Postemployment Benefits	Cr
9585	Compensated Absences Payable	Cr
9586	Certificates of Participation (COPs) Payable	Cr
9587	Capital Leases Payable.....	Cr
9588	Lease Revenue Bonds Payable	Cr
9589	Other General Long-Term Debt	Cr

Fund Balance

9611	Reserve for Revolving Cash.....	Cr
9612	Reserve for Stores	Cr
9613	Reserve for Prepaid Expenditures (Expenses).....	Cr
9619	Reserve for All Other	Cr

9620	Reserve for Encumbrances	Cr
9630	General Reserve (<i>Education Code</i> sections 1621 and 42124)	Cr
9640	Legally Restricted Balance	Cr
9710*	Designated for Economic Uncertainties	Cr
9715	Designated for the Unrealized Gains of Investments and Cash in County Treasury	Cr
9720–		
9789	Other Designations.....	Cr
9790*	Undesignated/Unappropriated	Cr

Budgetary Accounts

9810	Estimated Revenue.....	Dr
9815	Estimated Other Financing Sources (Optional)	Dr
9820	Appropriations.....	Cr
9825	Estimated Other Financing Uses (Optional).....	Cr
9830	Encumbrances	Dr

Control Accounts

9840	Revenue	Cr
9845	Other Financing Sources (Optional).....	Cr
9850	Expenditures	Dr
9855	Other Financing Uses (Optional).....	Dr

Non-operating Accounts

9910	Suspense Clearing	Dr, Cr
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Other Debits

The following account will be used in the general fixed asset account group:

9690	Investment in Fixed Assets	Cr
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Other Credits

The following accounts will be used in the long-term debt account group:

9680	Amount Available in Other Funds	Dr
9685	Amount to Be Provided for Retirement of General Long-Term Debt	Dr

Definitions of, and explanatory notes about, the accounts listed in the Chart of Accounts follow.

Assets

9110	<i>Cash in County Treasury.</i> Beginning cash balance, plus all moneys deposited in the county treasury less disbursements. Included are all amounts added or deducted at the county level.
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* LEAs may use accounts 9710 and 9790 for contributed capital and retained earnings in the proprietary funds.

- 9111 *Fair Value Adjustment to Cash in County Treasury.* The difference between the fair value and the reported amount of cash in county treasury.
- 9120 *Cash in Bank(s).* Indicated balances in separate bank accounts for adult education incidentals, scholarships and loans, school farm accounts, and cafeteria accounts (*Education Code* sections 35314, 38093, and 52704). This account also includes any money in a bank clearing account awaiting deposit in the county treasury (*Education Code* Section 41017).
- 9130 *Revolving Cash Account.* (1) A recording of the establishment and maintenance of a cash account for the use of the chief accounting officer or other designated official of the LEA in accordance with *Education Code* sections 42800–42806, 42810, 42820, and 42821. This account is similar in use and control to accounts known as petty cash funds. Once this account is established, it should be carried indefinitely in the General Ledger and shown in all balance sheets and budgets until it is abolished. The amount recorded will vary only through increase or decrease in the total amount approved for the account. It should be noted that the Revolving Cash Account is a reservation of cash within an already established fund and is not to be considered or accounted for as a separate fund or entity. (2) A sum of money, either in the form of currency or a special bank account, set aside for the purpose of making change or immediate payments of small amounts. The invoices for these payments are accumulated, and the account is reimbursed from the LEA’s funds, thus maintaining the account at the predetermined amount.
- Checks drawn on a prepayment fund may not be for more than \$1,000, including tax and freight (*Education Code* Section 42821).
- 9135 *Cash with a Fiscal Agent/Trustee.* Deposits with a fiscal agent, such as a third-party administrator for self-insurance. This account also includes the proceeds of certificates of participation deposited with a trustee.
- 9140 *Cash Collections Awaiting Deposit.* Receipts not yet deposited in the county treasury (*Education Code* Section 41001).
- 9150 *Investments.* Investments authorized by the governing board of the LEA in any of the investments specified in Section 53601 or Section 16430 of the *Government Code* (*Education Code* Section 41015).
- 9160 *Accounts Receivable.* Amounts due from private persons, firms, corporations, or governmental agencies. Accounts receivable shall be limited to auditable amounts usually based on contractual agreements; to amounts billed but not received; and, within provisions of law, to amounts that were earned by the close of the fiscal year and that might have been received and deposited in the county treasury by that date except for the lack of time for settlement.

- 9170 *Due from Other Funds.* Amounts due from other funds of the LEA.
- 9210 *Stores.* Amounts of materials, supplies, and possibly certain equipment kept in a central warehouse and subject to requisition and use.
- 9220 *Prepaid Expenditures (Expenses).* Payments made in advance of the receipt and use of services. Prepaid insurance premiums are illustrative. That portion of the premium paid in advance for coverage beyond the current fiscal year may be charged to Prepaid Expenditures. Adjustments to this account in the succeeding fiscal years apportion the premium over the period covered.

It is important to note that in fund accounting, expenditures for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods but may be accounted for as expenditures in the period of acquisition.

- 9300 *Other Current Assets.* Assets that are available or that can be made readily available to meet the cost of operations or to pay current liabilities.
- 9400–
9450 *Fixed Assets.* Accounts that will be used in the proprietary funds, the trust funds, or the general fixed assets account group to present the assets of the LEA that are of a permanent character and that are intended to continue to be held or used.
- 9410 *Land.* A fixed asset account reflecting the cost of land owned or held by the LEA.
- 9420 *Improvements of Sites.* A fixed asset account reflecting the cost of site improvements owned or held by the LEA.
- 9425 *Accumulated Depreciation—Improvements of Sites.* A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using depreciable site improvements, on a historical cost basis, over the estimated useful life of the improvement.
- 9430 *Buildings.* A fixed asset account reflecting the cost of permanent structures owned or held by the LEA.
- 9435 *Accumulated Depreciation—Buildings.* A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using buildings, on a historical cost basis, over the useful life of the building.
- 9440 *Equipment.* A fixed asset account reflecting the cost of properties that do not lose their identity when removed from their location and are not changed

materially or consumed immediately (e.g., within one year). Equipment has relatively permanent value, and its purchase increases the value of the physical properties of the LEA, such as furniture, vehicles, machinery, motion picture film, videotape, and furnishings that are not integral parts of the building or the building system.

9445 *Accumulated Depreciation—Equipment.* A contra-asset account used to report the accumulation of systematic and rational allocations of the estimated cost of using equipment, on a historical cost basis, over the useful life of the equipment.

9450 *Work in Progress.* An asset representing the value of partially completed work.

Liabilities

9510 *Accounts Payable (Current Liabilities).* Amounts owed to private persons, firms, corporations, or governmental agencies for services rendered and goods received on or before the close of the fiscal year. Do not include “encumbrances” represented by purchase orders or contracts, or portions thereof, for services or goods to be furnished after the close of the fiscal year. Include salaries earned but not paid until after June 30, amounts owed to other LEAs for tuition payments, that portion of construction contracts represented by work done by the close of the fiscal period, invoices for materials or equipment received prior to June 30, and so forth.

Do not include goods or services for federal grants that qualify as legal obligations for funding purposes. See Procedure No. 401.

9520 *Due to Other Funds.* Amounts owed to other funds within the LEA.

9530 *Current Loans.* Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable. Such loans may be unsecured or secured by specific revenues to be collected, such as tax anticipation notes.

9540 *Deferred Revenue.* Revenue which has been received, but is unearned, as of June 30.

9570 *Other Current Liabilities.* Other short-term liabilities owed to private persons or organizations.

9575 *Due to Other Agencies.* A liability account reflecting amounts owed to other agencies.

9580–

- 9589 Accounts that will be used in the proprietary funds, nonexpendable trust funds, or the general long-term debt account group to reflect the long-term liabilities of the LEA.
- 9581 *General Obligation Bonds Payable*. The liability account reflecting the outstanding balance of general obligation bonds.
- 9582 *State School Building Loans Payable*. The liability account reflecting the outstanding principal balance of State School Building Loans. State School Building Loans were granted in the past to facilitate the construction of schools. These loans are no longer being offered under this program; however, some LEAs still have outstanding balances that are being repaid.
- 9584 *Other Postemployment Benefits*. The liability account reflecting benefits other than pension benefits provided to employees following termination, but before retirement, as well as the period after retirement.
- 9585 *Compensated Absences Payable*. The liability account reflecting accumulated unpaid benefits that are provided to employees. These benefits include vacation, sick leave, and sabbatical leaves that are paid to employees upon termination or retirement. However, this liability account does not include sick leave balances for which employees receive only additional service time for pension benefit purposes.
- 9586 *Certificates of Participation (COPs) Payable*. The liability account reflecting the outstanding principal balance of COPs.
- 9587 *Capital Leases Payable*. The liability account reflecting the noncurrent portion of the discounted present value of total future stipulated payments on lease agreements that are capitalized.
- 9588 *Lease Revenue Bonds Payable*. The liability account reflecting the outstanding balance of Lease Revenue Bonds.
- 9589 *Other General Long-Term Debt*. The liability account reflecting other long-term liabilities, such as the noncurrent portions of liabilities for unfunded pension obligations and other similar items.

Fund Balance

9610–

- 9619 *Reserve for Nonexpendable Assets*. Accounts set up to reflect the value of nonexpendable asset accounts. At the beginning of the fiscal year, this account is credited with the same amounts that are set up as debits to the previously

described asset accounts. At the close of the year, this account is adjusted to reflect the net increase or decrease during the year in these amounts.

- 9611 *Reserve for Revolving Cash.* The portion of fund balance reflecting the value of revolving cash account.
- 9612 *Reserve for Stores.* The portion of fund balance reflecting the value of stores.
- 9613 *Reserve for Prepaid Expenditures (Expenses).* The portion of fund balance reflecting the value of prepaid expenditures/expenses.
- 9619 *Reserve for All Other.* The portion of the fund balance reflecting the value of all other nonexpendable assets.
- 9620 *Reserve for Encumbrances.* An amount set aside to provide for encumbrances.
- 9630 *General Reserve.* The amount set aside by the governing board to meet cash requirements in the succeeding fiscal year until adequate proceeds from the taxes levied or from the apportionment of state funds are available.
- 9640 *Legally Restricted Balance.* Segregation of a portion of a fund balance for legally restricted funds. For example, the unspent instructional materials funds.
- 9710 *Designated for Economic Uncertainties.* That portion of the fund balance that has been designated (set aside) by the governing board to provide for emergencies or economic events, such as revenue shortfalls, that could not be anticipated.
- 9715 *Designated for the Unrealized Gains of Investments and Cash in County Treasury.* The portion of the fund balance attributable to the fair value changes for net unrealized gains that is not available for spending.
- 9720–
 - 9789 *Other Designations.* The portion of the fund balance that has been set aside by the governing board for specific purposes.
- 9790 *Undesignated/Unappropriated.* This account represents the excess of the fund's assets over its liabilities, plus a budgetary element—the excess of estimated revenue (and estimated other financing sources) over appropriations (and estimated other financing uses).

Budgetary Accounts

- 9810 *Estimated Revenue*. The budgetary account that shows all revenue estimated to be received or accrued during the fiscal year. This account is a control account in a fund's General Ledger, and it must agree with the subsidiary ledger.
- 9815 *Estimated Other Financing Sources (Optional)*. The budgetary account that shows all the other financial resources that are estimated to be received or accrued during the fiscal year. This account is optional; LEAs may use account 9810 to record both budgeted revenue and other sources.
- 9820 *Appropriations*. Authorization granted by the governing board to make expenditures and to incur obligations for specific purposes and amounts within the fiscal year. This account is a control account in the General Ledger, and it must agree with the subsidiary ledger.
- 9825 *Estimated Other Financing Uses (Optional)*. The budgetary account that shows all of the other financial obligations that will be paid or will accrue during the fiscal year. This account is optional; LEAs may use account 9820 to record both appropriations and estimated other uses.
- 9830 *Encumbrances*. Obligations in the form of purchase orders, contracts, salaries, or other commitments that are chargeable to an appropriation and for which part of the appropriation is reserved. Encumbrances are canceled when the obligation is paid or when the actual liability is set up. This control account represents the total amount of the appropriations that has been designated for expenditure for specified purposes.

Details of encumbrances by classification or account are recorded in the same subsidiary Appropriations Ledger in which expenditures are recorded.

Control Accounts

- 9840 *Revenue*. The control account for all revenue that is received or accrued during the fiscal year.
- 9845 *Other Financing Sources (Optional)*. The control account for other financing sources. This account is optional; LEAs may use account 9840 as the control account for revenue and other financing sources.
- 9850 *Expenditures*. The control account for all expenditures that are paid or accrued during the fiscal year.

- 9855 *Other Financing Uses (Optional).* The control account for other financing uses. This account is optional; LEAs may use account 9850 as the control account for expenditures and other financing uses.

Non-Operating Accounts

- 9910 *Suspense Clearing.* An account that carries charges or credits temporarily pending to the determination of the proper account or accounts to which they are to be posted and that may be used for posting of amounts not yet analyzed to decide whether they should be revenue, expenditure, or abatement. Charges that must be allocated or prorated may be posted in their account until such allocation or proration can be calculated. This account must “zero balance” at the close of the fiscal year and should be reviewed monthly.

Other Debits

- 9690 *Investment in Fixed Assets.* An account in the general fixed-asset account group that represents the LEA’s equity in general fixed assets.

Other Credits

- 9680 *Amount Available in Other Funds.* An account in the general long-term debt account group equal to the fund balance available in the governmental funds (e.g., debt service fund) for the retirement of general long-term liabilities.
- 9685 *Amount to Be Provided for Retirement of General Long-Term Debt.* An account in the general long-term debt account group representing the amount to be provided from taxes or other general revenues to liquidate general long-term liabilities.